

MISSOURI BUDGET AND LEGISLATIVE AGENDA

Creating Missouri Jobs

“We must provide a better entrepreneurial environment; one that allows small business owners and employers to create and sustain good, family-supporting jobs here in Missouri.”

Governor Matt Blunt

Governor Blunt will make job creation and retention a primary focus of state government. The Governor will be hands-on and aggressive in implementing his economic vision for the state and attracting and retaining high-quality, family-supporting jobs.

Missouri has lost jobs to neighboring states because they have tax environments that are more hospitable, regulatory environments that are fairer, schools that are more effective, and a transportation infrastructure that is safer and better maintained. Missouri must be aggressive in growing its economy and adding jobs throughout the state. This cannot happen, however, until the business climate that has eroded in recent years is improved. Governor Blunt's priorities to enhance the business climate include litigation reform, overhauling the Workers' Compensation system, renewing the state's commitment to agriculture, and improving Missouri's transportation system. In addition, Governor Blunt will make it a priority to identify specific economic development tools needed to attract and retain businesses. The Governor will undertake a comprehensive review of Missouri's tax credit programs to ensure that they are accomplishing the desired goals, and that those goals are still relevant in today's fast-moving global economy. Under Governor Blunt, state government will serve as an innovative, effective, and valued partner with Missouri job creators, resulting in a healthier economy and more high-quality, family-supporting jobs.

Creating a Fair Legal System for All Missourians through Litigation Reform

It is estimated that the current tort system costs the United States more than \$200 billion per year, or approximately \$720 per citizen. Missouri's per-citizen costs are higher than this figure because the national average includes many states that have enacted responsible and substantive litigation reform. Many employers are one frivolous lawsuit away from closing their doors. Others are forced to pay “nuisance settlements” on groundless claims to avoid the price of costly litigation. One example of the adverse impact this is having on Missouri citizens is the crisis in the health care community. The American Medical Association named Missouri one of eighteen states facing a health care crisis. Missouri's medical crisis is primarily the result of skyrocketing medical malpractice payments and frivolous lawsuits. Many areas of the state are already seeing the impact of this crisis - traveling long distances to seek medical attention, experiencing a shortage of doctors willing to deliver babies, and lacking critical trauma care services.

2005 Legislative Initiative Litigation Reform

Missouri must create a fair legal system that serves all Missourians. Governor Blunt supports meaningful litigation reform that will stop the abuse of Missouri's court system with frivolous lawsuits, prevent doctors from being forced to close their offices, and reduce employer costs so savings can be used to create new jobs. The Governor proposes legislation that will:

- Place restrictions on venue provisions - where a lawsuit can be filed and tried. This will require that lawsuits be filed where the accident or injury occurs. Current law allows lawsuits to be filed in places other than where an accident occurred. This allows plaintiffs to file lawsuits where juries are perceived to be more generous. This practice of venue shopping by trial attorneys must stop.
- Eliminate joint and several liability and create a comparative fault rule that makes each defendant only responsible for the portion of the damages for which they are directly responsible. The current system is unfair, forcing a party to pay 100 percent of a settlement even if they are only partly liable. This allows plaintiffs to go after those companies or individuals with the deepest pockets. A defendant should not be required to bear the burden of others just because of their ability to pay.
- Limit punitive damage awards to three times the actual damages or \$250,000, whichever is greater. This limit would not apply in cases where the defendant committed a felony.
- Place a single cap on non-economic damages of \$250,000 for all medical malpractice cases. This will protect health care providers while ensuring that the victims of malpractice are adequately compensated for their damages. A 2002 court decision dismantled statutory protections by ruling non-economic damages could be applied multiple times within a single case.
- Ensure that health care providers are only sued when there is fault by crafting a truly meaningful affidavit of merit law. Attorneys who bring suits claiming medical malpractice should have an affidavit from a bona fide clinical peer of the accused who attests that malpractice has, in fact, actually occurred.

Funding for Job Training

The Jobs Retention Training Program is designed to provide the training necessary to retain jobs in the state. This innovative program provides funding for community colleges to improve the skills of existing workers so that their jobs remain in the state. Funding for this program is derived from a portion of the withholding taxes generated by these jobs. The Governor's Fiscal Year 2006 budget includes \$6 million for the Jobs Retention Training Program, a cooperative effort to retrain existing workers and retain jobs in Missouri.

Empowering Families to Achieve Self-Sufficiency

The availability of affordable child care is a key component in whether or not many low-income families are able to achieve economic self-sufficiency. The absence of such care prohibits many otherwise willing and able individuals from becoming or staying employed. Helping low-income families afford quality child care services empowers them to move up the socio-economic ladder from unsustainable poverty toward economic self-sufficiency. Governor Blunt's Fiscal Year 2006 budget includes \$11.5 million to provide low-income families with access to quality child care.

Improving Missouri's Workers' Compensation System

Any reforms to the state's Workers' Compensation laws must scrupulously guard the rights of injured workers with legitimate claims. Workers' Compensation laws represent a tradeoff between the employer and the employee. The employee forfeits his or her right to sue in tort and the employer gives up his or her right to refuse to pay for a workplace injury or to dismiss an injured worker. On the whole, Workers' Compensation laws are fair, efficient, and logical — they create clear and predictable results, keep the courts from becoming clogged, and provide workers much-needed protection. What defies logic, however, is allowing unscrupulous workers to take advantage of the system by faking or exaggerating injuries or allowing plaintiff's attorneys to reap unfair financial awards by gaming the system.

Missouri employers currently face very high Workers' Compensation insurance premiums. Despite the fact that incident rates are down, costs continue to rise. In 2003, premium costs incurred by businesses increased by more than 13 percent. Some sectors, such as manufacturing, experienced increases of as much as 19 percent. Increasing Workers' Compensation premiums detract from an employer's ability to reinvest in and expand their business, decreasing the amount of capital available to hire new workers. High Workers' Compensation insurance premiums are costing Missouri jobs.

Businesses consider Workers' Compensation expenses when deciding where to locate or move their company. Between 1991 and 2001, the amount of Workers' Compensation benefits paid out annually nearly doubled in Missouri. This 99 percent increase is one of the highest in the nation. Missouri's per-employee benefit cost is also significantly higher than any of the surrounding states. This increase in benefits paid does not make sense in light of the fact that the number of workplace injuries has declined by 50 percent since 1992.

Unfortunately, Missouri's system has been plagued with some unscrupulous workers who have taken advantage of the system by fabricating or exaggerating injuries that are not actually work-related. There should be no question, before any claim is paid, that the injury is the clear result of a workplace accident or condition. Missouri's laws should be strengthened to protect employers from exaggerated claims while protecting the rights of injured workers. In addition, employees who attempt to defraud the system should be prosecuted for violating the law. Currently, first-time violators who present a false Workers' Compensation claim are only guilty of a misdemeanor. Governor Blunt supports increasing penalties for those who seek to abuse Missouri Workers' Compensation laws.

Another problem with the current system is that employers are required to pay for claims when employees are injured while they were under the influence of alcohol or illegal drugs. If alcohol or drugs are involved, the employee's payment generally is reduced by only 15 percent. If an employee is found to be under the influence of alcohol or illegal drugs at the time of an injury, that individual should not be allowed to file a claim. At a minimum, the recoverable amount should be reduced by half if an injured employee is found to be under the influence of alcohol or illegal drugs.

Governor Blunt will work with the General Assembly to address these issues during the 2005 legislative session. Savings to the state's own Workers' Compensation payments from this initiative will total approximately \$1 million during the first year of implementation. These savings have been reflected in the Governor's Fiscal Year 2006 budget recommendations.

2005 Legislative Initiative Workers' Compensation Reform

Any reforms to the state's Workers' Compensation laws must scrupulously guard the rights of injured workers with legitimate claims. To improve the Workers' Compensation system in Missouri, Governor Blunt proposes major changes to the current system. These changes will lower premium increases, attract more businesses and jobs to the state, prevent businesses from moving to other states, protect injured workers with legitimate claims, and punish individuals who file fraudulent claims. Governor Blunt will work with the General Assembly to pass legislation that will:

- Control premium increases by ensuring employers are liable only for injuries for which they are directly responsible. The workplace accident or occupational exposure must be the "dominant" or "prevailing" factor in causing the injury or disability.
- Eliminate or reduce by half the recoverable amount when workers are found under the influence of alcohol or illegal drugs at the time of their accident.
- Increase penalties against those who seek to abuse Missouri's Workers' Compensation laws by presenting false or fraudulent claims. Anyone who defrauds the system should be charged with a felony violation.
- Promote neutrality of administrative law judges so that claimants are not unfairly favored over defendants by implementing reforms such as term limits, periodic reconfirmation by the Senate, or performance audits.

Renewing the State's Commitment to Agriculture

Agriculture is the bedrock of Missouri's economy and an important part of the state's heritage. Missouri has the second highest number of farming operations in the United States, which collectively contribute more than \$4.4 billion annually to the state's economy. While farmers have been visionaries in their fields, by adopting new technologies and forming value-added agricultural businesses, state government has lagged behind their progressive vision. Governor Blunt is committed to making agriculture and rural Missouri a priority by ensuring that state government acts as an innovative, proactive, and effective partner in rural economic development.

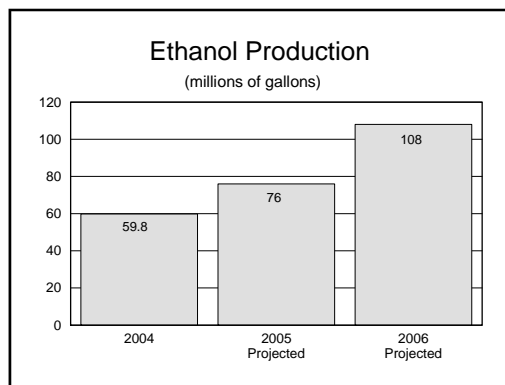
Renewable Fuels

Americans are too dependent on foreign sources of oil. Recent increases in gas prices illustrate the need for alternative sources of fuel. Renewable fuels, such as homegrown biodiesel and ethanol, improve air quality, decrease the nation's dependence on foreign oil, and bolster rural economies. Governor Blunt is committed to promoting policies that help Missouri become a national leader in the production and utilization of renewable fuels.

Biodiesel is a renewable alternative fuel produced by combining soybean oil with methanol in a process that removes excess glycerin. Biodiesel can be used in its pure form or blended with petroleum diesel at any percentage level. Research has shown that adding biodiesel to conventional diesel reduces emissions of smog-forming compounds by nearly 50 percent. In 2002, the General Assembly created the Biodiesel Producer Incentive Fund. The fund is designed to help Missouri farmers compete with biodiesel producers in neighboring states by lowering the cost of production for the first few years when expenses are the highest. The incentive fund is an important initiative that will help ensure Missouri is a national leader in this fast growing industry. Governor Blunt supports full funding for the Biodiesel

Producer Incentive Fund, as well as legislation to allow the program to be funded by general revenue.

Missouri has two fully operational farmer-owned ethanol production facilities, which have created more than 2,600 jobs and contributed \$256 million to Missouri's economy. These two ethanol plants, located in Macon County and Holt County, process approximately 23 million bushels of corn into 65 million gallons of fuel each year. In addition, three more plants, located in Audrain County, Dunklin County, and Saline County are in various stages of development. The Missouri Ethanol Producer Incentive Fund provides economic incentives to qualified ethanol producers. The fund has encouraged economic development in rural Missouri by facilitating the construction of capital-intensive production facilities that process corn into ethanol fuel. Governor Blunt supports increased funding for Missouri's ethanol program which has been underfunded in recent years. The Governor's Fiscal Year 2006 budget includes an increase of \$5.3 million to fully fund the program and provide payments to maintain commitments made in previous years.



Support for the Department of Agriculture

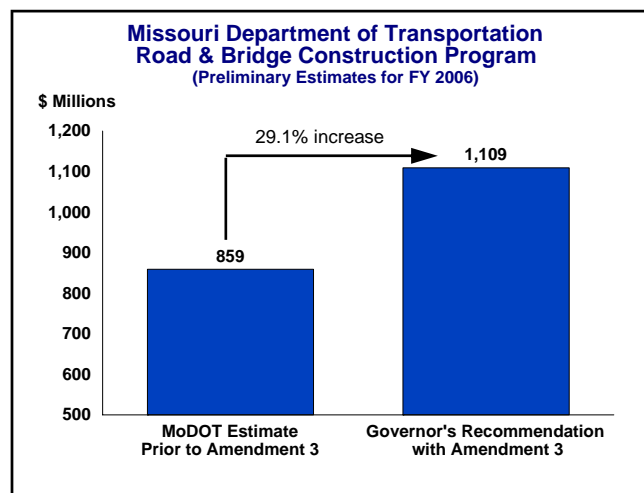
The Governor's budget recommendations include several increases for the Department of Agriculture:

- \$194,392 to expand the State Meat and Poultry Inspection Program allowing additional small slaughterhouses and processors to sell their services and products in Missouri.
- \$172,715 to initiate an animal care facility registration system to aid in the timely identification and tracking of animals carrying dangerous, infectious diseases of intentional or accidental origin.
- \$50,000 to help dairy producers identify new business opportunities and improve production efficiency.
- \$1 on an open-ended basis to receive federal funds that will support agro-terrorism response planning and training grants to protect Missouri's food supply.

Investing in Missouri's Transportation Infrastructure

Missouri's geographic location makes it a logical choice for a national transportation hub, capable of transporting vast amounts of domestic and international goods and passengers. For Missouri to reap the economic advantages of being a national transportation hub, the state's roads, bridges, rails, waterways, and aviation facilities must work together to create a cohesive transportation system that transports freight and passengers efficiently, quickly, and safely. In 2004, voters approved Constitutional Amendment Number 3, changing the Missouri Constitution, to redirect a portion of the Motor Vehicle Sales Tax from the General Revenue Fund to the State Road Fund and further restrict usage of highway funds by other departments. Amendment 3 will increase funding available for transportation projects statewide, including:

- An estimated \$180-\$190 million in additional revenue for roads and bridges, when fully implemented.
- An estimated \$1.8 million in additional revenue to the State Transportation Fund for non-highway related transportation modes.



Additional Resources for Transportation

Governor Blunt supported the passage of Amendment 3 and will make sure only those state government activities directly related to transportation receive highway fund revenues. With the passage of Amendment 3, the state will be able to direct additional funds toward enhancing Missouri's road and bridge infrastructure. In addition, the Missouri Highways and Transportation Commission plans to spend an estimated \$400 million in bond proceeds over a three-year period to upgrade 2,200 miles of Missouri's most heavily traveled roadways. To implement the provisions of Amendment 3 and improve Missouri's transportation system, Governor Blunt's Fiscal Year 2006 budget includes:

- \$57.8 million for road and bridge construction and maintenance.
- \$9.8 million reduction from the Department of Revenue that will now be available for highway projects.
- \$4.3 million for transit planning, equipment, and operations throughout the state.
- \$3 million for additional federal transportation enhancement projects.
- \$1 on an open-ended basis to utilize proceeds from bonds issued as a result of Amendment 3.

Maintaining Passenger Rail Service

Passenger rail service provided an alternate mode of transportation for more than 162,000 passengers in Fiscal Year 2004. This service is particularly useful for people who do not have access to a personal vehicle but need to travel between St. Louis and Kansas City. For Fiscal Year 2006, Governor Blunt recommends \$200,000 to maintain daily, round-trip, passenger rail service between St. Louis and Kansas City.

Making the Transportation Commission More Representative

The Missouri Highways and Transportation Commission was established in 1921 to oversee the Department of Transportation. The commission is comprised of six members who may originate from any part of the state. It is not uncommon for some geographic areas of Missouri to go years without having a commission member from their region. Governor Blunt pledges to make his commission appointments more representative of the various geographic areas of the state. In addition, the Governor believes the Missouri Department of Transportation is a total transportation agency. It not only builds and maintains roads, highways, and bridges, but is responsible for other areas of transportation, such as air, rail, and river travel. The commission should also represent the travelers and businesses that use these other means to travel and ship products.

2005 Legislative Initiative Missouri Highways and Transportation Commission Membership

To address all of Missouri's transportation sectors, Governor Blunt proposes legislation that adds two members to the Missouri Highways and Transportation Commission – one representing the air and mass transit communities and one representing freight and river transit. This will improve representation for all modes of transportation.